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RUEHAK/AMEMBASSY ANKARA 2035  
RUEHBUL/AMEMBASSY KABUL 0310  
RUEHNE/AMEMBASSY NEW DELHI 0439  
RUEHAST/USOFFICE ALMATY

UNCLAS SECTION 01 OF 02 ASTANA 000861

SIPDIS

DEPT FOR SCA/CEN (O'MARA)  
DEPT PASS TO OPIC - BALLINGER  
DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER  
DEPT PASS TO AID - EE-PHILLIPS/RUSHING  
TREASURY FOR OASIA/VELTRI  
USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS  
USDOC FOR 6110/ITA/TD/BI/RHALPERN  
ANKARA FOR CFC

SIPDIS

E.O. 12958: N/A  
TAGS: [ECON](#) [EIND](#) [ENRG](#) [EPET](#) [EFIN](#) [KZ](#)  
SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE, March 18 - 31, 2007

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¶1. Summary: This information is drawn primarily from the Kazakhstani local press, and has not been checked for accuracy. The opinions and policies expressed in this report are those of the authors, not the U.S. Government.

- Kazakhtelecom Sells Shares to Pension Funds
- GOK to Sell Share in Eurasian Natural Resources Co.
- Russia, Kazakhstan Sign Economic Cooperation Agreements
- Property Legalization Extended Again
- Kazakhstan's President Favors Odessa-Brody's Extension
- Trans-Caspian Pipeline Construction under Discussion
- TCO, Environmental Ministry Reach Agreement on Spending

Kazakhtelecom Sells Shares to Pension Funds

¶2. On March 21, the "Samruk" state holding company sold a block of state-owned ordinary shares of JSC "Kazakhtelecom" to Kazakhstani saving pension funds. A total of 98,410 shares were sold under bid, raising a total of KZT 4.9 billion (approx. \$40 million). The average sale price was KZT 50,238 (\$405) per share. As the result of the transactions, the State's share of "Kazakhtelecom" has been reduced to 51%. (Kazakhtelecom press-release, March 26)

GOK to Sell Share in Eurasian Natural Resources Co.

¶3. On March 31, Prime Minister Karim Masimov requested that Finance Minister Nataliya Korzhova oversee the sale of a .8% share of the Eurasian Natural Resources Corporation Plc (ENRC) to the public. (The total share of ENRC owned by the GOK is 24.8%.) Masimov also directed the heads of the state holding companies to consider selling part of their stock to the public. The final decision on those issues will be made on April 10. (Interfax - Kazakhstan, April 2)

Russia, Kazakhstan Sign Economic Cooperation Agreements

14. On March 30, three documents on economic cooperation were signed in Astana during the visit of Russian Premier Mikhail Fradkov to Kazakhstan. Kazakhstani Energy Minister Baktykozha Izmukhambetov and Russian Deputy Minister of Industry and Energy Andrey Reus signed a protocol of amendments to the 2002 Intergovernmental Treaty on Oil Transit. Both the President of Kazakhstan's Development Bank, Askar Sembin, and the CEO of the Eurasian Development Bank, Igor Fingovenov, signed cooperation agreements with the Chairman of Russia's Vnesheconombank, Vladimir Dmitriyev. (Interfax - Kazakhstan, March 31)

#### Property Legalization Extended Again

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15. On March 26, President Nursultan Nazarbayev signed a law prolonging the deadline for property legalization until August 1, 2007. Kazakhstan started the legalization process in July 2006. As of now, over 920,000 real estate entities, with a total value of about \$1.55 billion, have been legalized. (Kazakhstan Today, March 26)

#### Kazakhstan's President Favors Odessa-Brody's Extension

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16. Kazakhstan would like to see the Odessa-Brody pipeline extended to Gdansk, Poland, and wants Russia to be involved in talks on the project, President Nursultan Nazarbayev said at a joint news conference in Astana on March 29 after discussions with Polish President Lech Kaczynski. According to President Nazarbayev, "the projected twofold increase in oil extraction by 2012-2015 is making us seek new ways [of transporting it]. An Odessa-Brody-Gdansk project would be a good alternative for us...I would like to emphasize our interest in this [project] and Russian organizations ought to be invited to participate," he said. "It's not a political, but an economic issue, because excess oil would be transported from Kazakhstan through Russia." Nazarbayev added that

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"Kazakhstani companies would like to buy oil refineries in Poland and to build a pipeline jointly." (Interfax - Kazakhstan, March 30)

#### Trans-Caspian Pipeline Construction under Discussion

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17. A Trans-Caspian pipeline can only be constructed after the three primary issues are resolved, Kazakhstan's Foreign Minister Marat Tazhin said at a press conference in Astana on March 28. Firstly, Tazhin said, the Caspian countries should decide on the legal status of the Caspian Sea. Second, there are technical issues: "We cannot say now that we have documentation or some ready-to-go design in place," he continued. Third, "the project needs an economic assessment. Without a reliable sense of supplies, it is hard to say (about project expediency)," Tazhin emphasized. (Interfax - Kazakhstan, March 28)

#### TCO, Environmental Ministry Reach Agreement on Spending

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18. Environmental Minister Nurlan Iskakov announced that his Ministry had reached agreement with TengizChevrOil (TCO) on a three-year plan for TCO environmental activities. The plan entails TCO spending about KZT 40 billion (\$323 million) per year. The money will be allocated for resolving issues with sulfur, gas flaring, wastes recycling and technological process improvement. (Express-K newspaper, March 29)

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